



Report to the Auburn City Council

Action Item
Agenda Item No. 5
City Manager's Approval

To: Honorable Mayor and City Council Members
From: Robert Richardson, City Manager
Andy Heath, Administrative Services Director
Date: February 9, 2009
Subject: CalPERS Two-Years Additional Service Credit Participation

The Issue

Shall the City Council adopt a Resolution adding another designated period to participate in the California Public Retirement System's (CalPERS) Two-Year Service Credit (Two-Year Retirement Incentive) option referenced in Section 20903 of the California Public Employee's Retirement Law?

Conclusions and Recommendations

The City Council, by **RESOLUTION**, does seek to add another designated period to participate in the California Public Employee's Retirement System's (CalPERS) Two-Year Service Credit option, and does hereby authorize this Resolution, indicating a desire to add a designated period from February 10, 2009 through May 10, 2009 for eligible members in the Fire Battalion Chief classification.

Background

On January 26, 2009, the City Council approved a resolution making public for two weeks prior to the adoption of a resolution establishing another designated period for two years additional service credit, the costs of providing benefits under the California Public Employee's Retirement System's (CalPERS) Two-Year Service Credit, estimated to be \$111,009.60. Once the required two-week notification period has lapsed, the City Council is required to formally adopt its desire to allow eligible employees to participate in the Two-Year Service Credit program.

Formal adoption of the program includes designating a time period of 90 to 180 days during which an eligible employee must retire to receive the additional service credit, in addition to certification of compliance with Government Code Sections 7507 (two-week public notification of cost) and 20903 (program criteria and guidelines).

Analysis**Designated Time Period**

Staff recommends the designated time period during which eligible employees may participate in the Two-Year Service Credit program be from February 10, 2009 through May 10, 2009, a period of 90 days. Eligible employees electing to participate in the Two-Year Service Credit program must be in employment status and retire during the designated period. The retirement date may not be the first day of the designated period. Staff has recommended the following classification be offered the Two-Year Retirement Incentive Program:

- Fire Department Battalion Chief

Certification of Compliance – Government Code Section 7507

Government Code Section 7507 requires costs of providing benefits under the Two-Year Service Credit program be made public for two weeks prior to the adoption of a resolution establishing a designated period for the two years additional service credit. The future annual costs for the increase in retirement benefits were made public at the January 26, 2009 City Council meeting (Resolution No. 09-10), 14 days prior to the recommended action to designate a time period as referenced in this memorandum.

Certification of Compliance – Government Code Section 20903

Government Code Section 20903 outlines the Two-Year Service Credit program criteria and guidelines. To participate in the Two-Year Service Credit program, the City must certify that all program criteria have been met, including:

- The best interests of the City will be served by granting additional service credit because of an impending curtailment of, or change in the manner of performing service;
- Added cost to the retirement fund for all eligible employees who retire during the designated period will be included in the contracting agency's employer contribution rate for the fiscal year that begins two years after the end of the designated period;
- The City has elected to become subject to Section 20903 because of impending layoffs that constitute at least 1 percent of the job classification as designated by the governing body, resulting from the curtailment of, or change in the manner of performing, its services; and
- The City intends to keep all vacancies created by retirements under this section or at least one vacancy in any position in any department permanently unfilled thereby resulting in an overall reduction in the work force of such department or organizational unit.

Alternatives Available to Council; Implications of Alternatives

1. Adopt a resolution adding another designated period to participate in the California Public Retirement System's (CalPERS) Two-Year Service Credit (Two-Year Retirement Incentive) option referenced in Section 20903 of the California Public Employee's Retirement Law.
2. Do not adopt a resolution and direct staff accordingly.

Fiscal Impact

The one-time cost impact of the two years additional service credit will be included in the City's CalPERS employer contribution rate commencing with the fiscal year starting two years after the end of the designated period. The increase in the employer contribution rate may continue for as long as twenty (20) years and will be amortized into the employer contribution rate accordingly.

It is estimated that the City will save approximately \$57,000 annually if both eligible employees elect to participate in the CalPERS Two-Year Service Credit program. The annual savings amount includes net cost reductions achieved through a reorganization of Fire Department personnel.

1 RESOLUTION NO. 09-
2 RESOLUTION TO GRANT ANOTHER DESIGNATED PERIOD FOR TWO YEARS
3 ADDITONAL SERVICE CREDIT
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5 WHEREAS, the City Council of the City of Auburn is a contracting Public
6 Agency of the Public Employees' Retirement System; and
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8 WHEREAS, said Public Agency desires to provide another designated period
9 for Two Years Additional Service Credit, Section 20903, based on the contract
10 amendment included in said contract which provided for Section 20903, Two
11 Years Additional Service Credit, for eligible members;
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13 NOW, THEREFORE, BE IS RESOLVED, That the City Council of the City of
14 Auburn does seek to add another designated period, and does hereby
15 authorize this Resolution, indicating a desire to add a designated period from
16 February 10, 2009 through May 10, 2009 for eligible members in the Fire
17 Battalion Chief classification.

18 DATED: February 9, 2009
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J.M. Holmes, Mayor

21 ATTEST:
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Joseph G. R. Labrie, City Clerk
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1 I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
2 that the foregoing resolution was duly passed at a regular meeting of the City
3 Council of the City of Auburn held on the 9th day of February 2009 by the
4 following vote on roll call:

4 Ayes:

5 Noes:

6 Absent:

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8 Joseph G. R. Labrie, City Clerk
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